

CHAPTER 43-02-09 WORKOVER PROJECTS

Section

43-02-09-01	Definitions
43-02-09-02	Exemption From Taxes
43-02-09-03	Notice of Intention to Begin a Workover Project
43-02-09-04	Application for Workover Project Determination
43-02-09-05	Workover Project Determination
43-02-09-06	Notice to Tax Department
43-02-09-07	Petition for Hearing
43-02-09-08	Books and Records to Be Kept to Substantiate Reports

43-02-09-01. Definitions. The terms used throughout this chapter have the same meaning as in chapter 43-02-03 and North Dakota Century Code chapters 38-08 and 57-51.1, except:

1. "Continuous employment" means the specific period of time a workover rig has been obtained to perform a workover project on a qualifying well.
2. "Continuous production" means production in the latest six consecutive calendar months prior to filing the notice of intention to perform a workover project during which the well produced an average of at least fifteen days per month.
3. "Recompletion" means the subsequent completion of a well in a different pool from the pool in which it is completed at the time of the notice given pursuant to section 43-02-09-03.
4. "Reentry" means the entering of a well that has been plugged.
5. "Workover" means the employment of a workover rig and other services for the purpose of restoring or improving producing capability of a well from the pool in which it is presently completed.
6. "Workover project" means the continuous employment of a workover rig for workovers, recompletions, or reentries.
7. "Workover rig" means any rig used to perform work on a workover project.

Upon approval by the commission, an applicant may obtain an exception to the definition of "continuous production" set forth in subsection 2 if it is shown that the well was produced an average of less than fifteen days per month because such method of operation was the most efficient and allowed for approximately the same

amount of production as would have resulted had the well produced an average of fifteen or more days per month.

History: Effective May 1, 1990; amended effective May 1, 1992; May 1, 1994.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-02. Exemption from taxes. Production from a well with an average daily production of no more than fifty barrels of oil during the latest six calendar months of continuous production, upon which a workover project has been performed, is exempt from taxes imposed pursuant to North Dakota Century Code chapter 57-51.1 for twelve months beginning with the first day of the third calendar month after the completion of a workover project if:

1. The commission has received a notice of intention to begin a workover project in accordance with section 43-02-09-03.
2. A workover project is performed on the well.
3. The cost of the workover project exceeds sixty-five thousand dollars, or if the average daily production is increased at least fifty percent during the first two months after completion of the workover project, based upon a comparison to the average daily production for the latest six calendar months of continuous production prior to the filing of the notice of intention to begin a workover project.

For the exemption from the oil extraction tax for workover projects pursuant to North Dakota Century Code section 57-51.1-03, the reentry of a plugged and abandoned well is a workover project provided the cost of the operation exceeds sixty-five thousand dollars.

History: Effective May 1, 1990; amended effective May 1, 1994; July 1, 1996; May 1, 2004.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-03. Notice of intention to begin a workover project. If an exemption from taxation is sought pursuant to subsection 4 of North Dakota Century Code section 57-51.1-03, a notice of intention to begin a workover project must be filed by the well operator with the commission prior to commencement of the project. The notice of intention must be sent to the following address:

North Dakota State Industrial Commission
Oil and Gas Division
600 East Boulevard
Bismarck, ND 58505-0840

The notice of intention must include, but is not limited to, the following:

1. A sundry notice (form 4) upon which it is indicated that it is a notice of intention to perform a workover project.
2. The sundry notice must contain a detailed description of the nature and scope of the workover project. The information provided must include a description of all replacement equipment to be installed that is known to the well operator at the time of filing, and whether such equipment is new or used.
3. The average daily production during the latest six calendar months of continuous production.

If required by the director, the operator of the well to be worked over shall make arrangements to determine the crude oil inventory stored on the well premises immediately before the commencement of the workover and submit all gauge tickets for the month.

Workover projects must be completed within one year after the initial notice of intention to perform a workover is filed. Thereafter such notice is null and void.

History: Effective May 1, 1990; amended effective May 1, 1994; July 1, 1996; July 1, 2002.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-04. Application for workover project determination. The applicant has the burden of establishing entitlement to the exemption provided in North Dakota Century Code section 57-51.1-03 and upon completion of the workover project shall submit all information necessary for a determination by the director. The cost of a workover project includes only direct costs for material, equipment, services, and labor used in the workover project. Labor and services included must be performed onsite and materials and equipment must be used onsite. The value of capital equipment removed from the site must be deducted from the cost of the project.

The application must include the following:

1. The name and address of the applicant and the name and address of the person operating the well, if different.
2. The well name and number and legal description of the well.
3. The dates during which the workover rig was in service actually performing work on the workover project, and the date the workover was completed.
4. A detailed list identifying all labor, services, and materials used and equipment replaced during the workover project, the cost of each item, and whether the replacement equipment was new or used. Also, the

value of all of the equipment removed from service must be listed. The list must be verified by a person knowledgeable in the costs of workover projects and the value of used equipment. At any time the director may require the applicant to submit actual invoices to verify any costs set forth in the application.

5. A sundry notice (form 4) detailing all work done.
6. The average daily oil production from the well during the first two months after completion of the project, if the costs of the project did not exceed sixty-five thousand dollars. The project is completed and the two-month period commences the first day of production through the wellhead equipment after the workover rig is removed from over the well.
7. All gauge tickets of oil produced in incomplete months during the first two months after completion of the workover, and the volume of oil stored on the well premises immediately prior to the commencement of the workover project.

If the application does not contain sufficient information to make a determination, the director will advise the applicant of the additional information that must be filed in order to make a determination. If the requested additional information is not received within fifteen working days after receipt of the request, the application will be returned to the applicant.

History: Effective May 1, 1990; amended effective May 1, 1992; May 1, 1994; July 1, 1996; August 1, 1999.

General Authority: NDCC 38-08-04, 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-05. Workover project determination.

1. Upon receipt of an application for workover project determination, the director shall review the application, information, or comments submitted by an interested person and all relevant information contained in the books, files, and records of the commission.
2. Within thirty days of the receipt of a complete application for workover project determination, or a reasonable time thereafter, the director shall either grant or deny the application.
3. If an application for workover project determination is denied, the director shall enter a written determination denying the application and specifying the basis for denial. If an application is granted, the director shall enter a written determination granting the application.
4. A copy of the determination either granting or denying the application must be forwarded by the director by mail to the applicant and all other

persons submitting written comments. It is the obligation of the applicant to notify and advise all other operators in the well and the purchaser of the crude oil of the determination of the director.

History: Effective May 1, 1990; amended effective May 1, 1992.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-06. Notice to tax department. If the director determines a well is entitled to a tax exemption under this chapter, the director shall send a notice to the state tax commissioner stating:

1. That the workover project meets the requirements set forth in North Dakota Century Code section 57-51.1-03.
2. The name and number of the well.
3. The location of the well.
4. The name of the well operator applying for the tax exemption.
5. The date the notice of intention was filed.
6. The average daily production of the well during the latest six calendar months of continuous production prior to the commencement of the workover project.
7. The cost of the workover project.
8. The average daily production of the well as determined pursuant to subsection 7 of section 43-02-09-04.
9. The dates during which the workover project was performed.

The notice required under this section must be signed by a representative of the commission.

History: Effective May 1, 1990; amended effective May 1, 1992; July 1, 1996.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-07. Petition for hearing. Any person adversely affected by a determination of the director pursuant to subsection 4 of North Dakota Century Code section 57-51.1-03 or this chapter, within thirty days after receiving notice of such determination, may petition the commission for a hearing in accordance with the provisions of North Dakota Century Code chapter 38-08 and chapter 43-02-03.

In the event the North Dakota tax department, pursuant to its authority, determines an exemption was granted improperly pursuant to North Dakota

Century Code section 57-51.1-03, the tax department may request a hearing on the exemption any time after the exemption was granted. If after the hearing the commission determines an exemption was improperly granted, it may revoke the exemption. The exemption may be revoked effective the date the exemption was originally granted.

History: Effective May 1, 1990; amended effective May 1, 1992.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03

43-02-09-08. Books and records to be kept to substantiate reports. All operators shall make and keep appropriate books and records for a period of not less than six years, covering their operations in North Dakota from which they may be able to make and substantiate the reports required by this chapter.

History: Effective September 1, 2000.

General Authority: NDCC 57-51.1-03

Law Implemented: NDCC 57-51.1-03